

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SAB-01 L-03 PM-07 NSC-10 SPC-03 SAM-01

SS-20 RSC-01 PRS-01 CIAE-00 INR-10 NSAE-00 DODE-00

SSO-00 NSCE-00 USIE-00 DRC-01 INRE-00 /079 W

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FM AMEMBASSY LIMA

TO AMEMBASSY SANTIAGO IMMEDIATE

INFO SECSTATE WASHDC PRIORITY 8818

AMEMBASSY PANAMA PRIORITY

C O N F I D E N T I A L LIMA 1093

E.O. 11652: GDS

TAGS: EGIN, PBOR, PFOR, PN, PE

SUBJECT: DRAFT KUBISCH-DE LA FLOR MEMCON; GOP OPPOSITION TO
RISE IN PANAMA CANAL TOLLS

1. FOLLOWING IS SECTION OF UNCLEARED DRAFT MEMCON FOR ASSISTANT SECRETARY KUBISCH'S REVIEW AND APPROVAL COVERING PART OF HIS FEBRUARY 8 MEETING WITH PERUVIAN FONMIN DE LA FLOR. THIS SECTION COVERS GOP OPPOSITION TO PROJECTED RISE IN PANAMA CANAL TOLLS; OTHER PORTIONS OF CONVERSATION REPORTED IN SEPTELS.

2. QUOTE DE LA FLOR SAID THE PROJECTED RISE IN PANAMA CANAL TOLLS IS PARTICULARLY WORRISOME TO THE GOP. THE INCREASE IS LARGE AND WILL SERIOUSLY HURT PERU AND OTHER WEST COAST SOUTH AMERICAN NATIONS, AS WELL AS OTHER SOUTH AMERICAN NATIONS TO A LESSER EXTENT. MR. KUBISCH NOTED THAT THIS IS THE FIRST INCREASE EVER IN THE HISTORY OF THE PANAMA CANAL. HE SAID THE PANAMA CANAL COMPANY NEEDS AN INCREASE, SINCE THE COMPANY MUST BE SELF-SUPPORTING AND HAD EXPERIENCED ITS FIRST DEFICIT IN 1973, WITH DEFICITS CONTINUING AND INCREASING THIS YEAR. HE SAID THAT THE U.S. CONGRESS, IN VIEW OF THE NEW NEGOTIATIONS FOR A REVISED CANAL TREATY, WOULD BE UNLIKELY TO APPROVE INCREASED SUBSIDIES FOR CANAL OPERATIONS, AND
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FURTHERMORE THE PANAMANIAN GOVERNMENT IS INTERESTED IN

INCREASED INCOME FROM CANAL TOLLS. DE LA FLOR OBSERVED THAT THE GOP TRIES TO RAISE RATES WITHOUT HURTING LOW INCOME GROUPS. HE COMPLAINED THAT PERU IS ALSO NOW BEING HURT BY RISING OCEAN FREIGHT RATES AND FUEL COSTS, AND PERU IS IMPORTING INFLATION THROUGH SUCH RISING COSTS.

3. DE LA FLOR SAID THAT THE GOP WOULD LIKE TO TESTIFY IN THE PUBLIC HEARINGS TO BE HELD REGARDING AN INCREASE IN TOLL RATES, AND MR. KUBISCH SAID THAT THERE WOULD BE NO OBJECTIONS SINCE THESE WOULD BE PUBLIC HEARINGS AND ALL VIEWS ARE INVITED. DE LA FLOR ALSO SAID THE GOP WILL TAKE A DOCUMENT ON THIS SUBJECT TO MEXICO CITY, AND MR. KUBISCH SAID HE HAD NO PROBLEM WITH THE PERUVIAN DELEGATION'S DOING SO. UNQUOTE. BELCHER

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